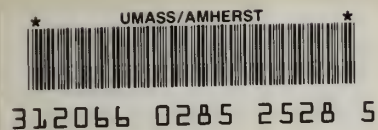


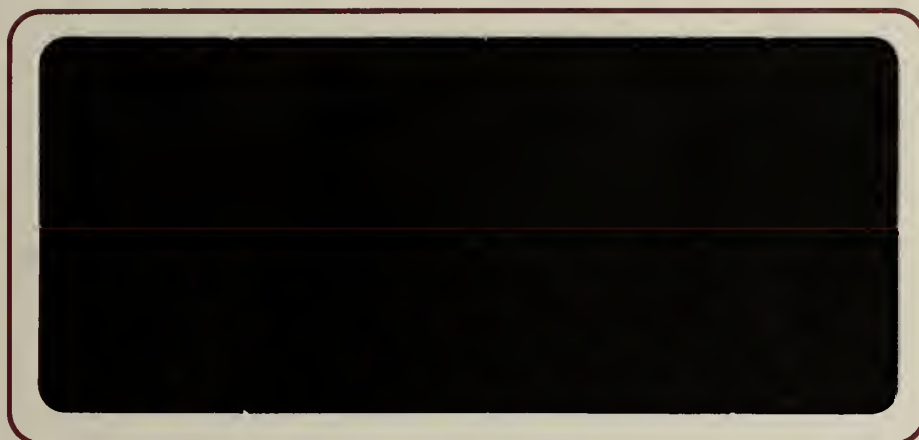
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GOVERNMENT DOCUMENTS
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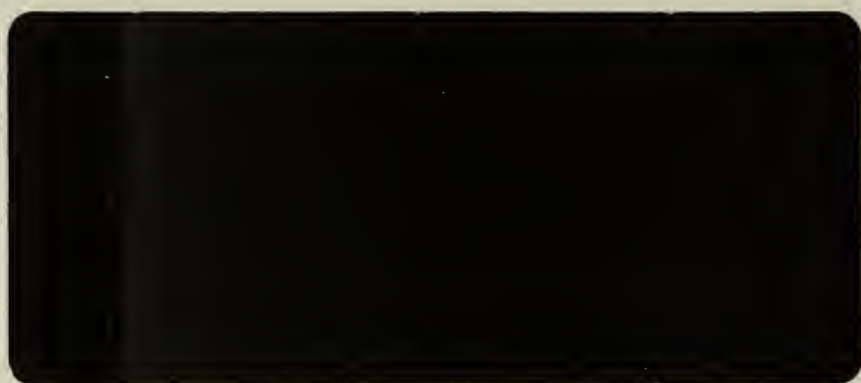
OCT 1994

University of Massachusetts
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ROSENFELD, HOLLAND & RAYMON, P.C.

Accountants and Auditors



SOUTHEASTERN MASSACHUSETTS UNIVERSITY
BUILDING AUTHORITY
FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 1994



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INDEPENDENT AUDITOR'S REPORT

To the Members

Southeastern Massachusetts University Building Authority

We have audited the accompanying financial statements of Southeastern Massachusetts University Building Authority as of June 30, 1994 and for the year then ended. These financial statements are the responsibility of the Southeastern Massachusetts University Building Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Southeastern Massachusetts University Building Authority as of June 30, 1994 and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

Rosenfeld, Holland & Raymon, P.C.

August 18, 1994

SOUTHEASTERN MASSACHUSETTS UNIVERSITY BUILDING AUTHORITY
BALANCE SHEET
June 30, 1994

	Revenue Fund	Preliminary Expense Fund	Plant/Debt Service Fund	Section 10 Reserve Fund	Capital Improvement Fund	Rate Stabilization Fund	1994 Total	1993 Total Memorandum
ASSETS								
Investments (Notes A & B)	\$1,299,750	\$ 142,607	\$ 3,819	\$2,059,730	\$ -	\$ 110,318	\$ 3,616,224	\$ 3,223,978
Buildings and Fixtures (Note A)	-	-	39,141,421	-	-	-	39,141,421	39,357,827
Deferred Bond Issue Costs	-	-	118,620	-	-	-	118,620	127,648
TOTAL ASSETS	<u>\$1,299,750</u>	<u>\$ 142,607</u>	<u>\$39,263,860</u>	<u>\$2,059,730</u>	<u>\$ -</u>	<u>\$ 110,318</u>	<u>\$42,876,265</u>	<u>\$42,709,453</u>
LIABILITIES AND RETAINED EARNINGS								
Accounts Payable	\$ 50,290	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,290	\$ 178,602
Accrued Bond Interest	-	-	451,153	-	-	-	451,153	456,344
Project Revenue Bonds Payable								
1986 Series A (Note C)	-	-	34,771,320	-	-	-	34,771,320	35,208,921
1986 Series B (Note D)	-	-	491,000	-	-	-	491,000	513,000
Total Liabilities	50,290	-	35,713,473	-	-	-	35,763,763	36,356,867
Retained Earnings	<u>1,249,460</u>	<u>142,607</u>	<u>3,550,387</u>	<u>2,059,730</u>	<u>-</u>	<u>110,318</u>	<u>7,112,502</u>	<u>6,352,586</u>
TOTAL LIABILITIES AND RETAINED EARNINGS	<u>\$1,299,750</u>	<u>\$ 142,607</u>	<u>\$39,263,860</u>	<u>\$2,059,730</u>	<u>\$ -</u>	<u>\$ 110,318</u>	<u>\$42,876,265</u>	<u>\$42,709,453</u>

The accompanying notes are an integral part of this statement.

SOUTHEASTERN MASSACHUSETTS UNIVERSITY BUILDING AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS (AS RESTATED)
Fiscal Year Ended June 30, 1994

	<u>Revenue Fund</u>	<u>Preliminary Expense Fund</u>	<u>Plant/Debt Service Fund</u>	<u>Section 10 Reserve Fund</u>	<u>Capital Improvement Fund</u>	<u>Rate Stabilization Fund</u>	<u>1994 Total</u>	<u>1993 Total Memorandum</u>
OPERATING REVENUES:								
Charges for Services (Note F)	\$3,651,366	\$ -	\$ -	\$ -	\$ -	\$ -	\$3,651,366	\$3,105,039
OPERATING EXPENSES:								
Cost of Services and Administration	<u>96,312</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,312</u>	<u>211,396</u>
OPERATING INCOME	3,555,054	-	-	-	-	-	3,555,054	2,893,643
NON-OPERATING REVENUES (EXPENSES):								
HUD Grant (Note E)	75,684	-	-	-	-	-	75,684	75,684
Investment Income	28,621	4,220	1,128	61,048	6,614	3,253	104,884	131,262
Interest Expense	-	-	(2,750,273)	-	-	-	(2,750,273)	(2,779,627)
Other Expenses	<u>-</u>	<u>-</u>	<u>(9,028)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,028)</u>	<u>(9,355)</u>
NON-OPERATING REVENUES (EXPENSES), Net	<u>104,305</u>	<u>4,220</u>	<u>(2,758,173)</u>	<u>61,048</u>	<u>6,614</u>	<u>3,253</u>	<u>(2,578,733)</u>	<u>(2,582,036)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	3,659,359	4,220	(2,758,173)	61,048	6,614	3,253	976,321	311,607
OPERATING TRANSFERS	<u>(2,711,609)</u>	<u>(4,220)</u>	<u>3,213,275</u>	<u>(70,785)</u>	<u>(424,431)</u>	<u>(2,230)</u>	<u>-</u>	<u>-</u>
NET INCOME (LOSS)	947,750	-	455,102	(9,737)	(417,817)	1,023	976,321	311,607
RETAINED EARNINGS, Beginning of Year, as Originally Reported	301,710	142,607	3,311,690	2,069,467	417,817	109,295	6,352,586	6,080,846
PRIOR PERIOD ADJUSTMENT, To Record Transfer of Campus Center (Note H)	<u>-</u>	<u>-</u>	<u>(216,405)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(216,405)</u>	<u>-</u>
RETAINED EARNINGS, Beginning of Year, as Restated	301,710	142,607	3,095,285	2,069,467	417,817	109,295	6,136,181	6,080,846
CAPITAL RECLASSIFICATIONS:								
Replacement of Fixtures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,867)</u>
RETAINED EARNINGS, End of Year	<u>\$1,249,460</u>	<u>\$ 142,607</u>	<u>\$3,550,387</u>	<u>\$2,059,730</u>	<u>\$ -</u>	<u>\$ 110,318</u>	<u>\$7,112,502</u>	<u>\$6,352,586</u>

The accompanying notes are an integral part of this statement.

SOUTHEASTERN MASSACHUSETTS UNIVERSITY BUILDING AUTHORITY
STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 1994

	<u>Revenue Fund</u>	<u>Preliminary Expense Fund</u>	<u>Plant/Debt Service Fund</u>	<u>Section 10 Reserve Fund</u>	<u>Capital Improvement Fund</u>	<u>Rate Stabilization Fund</u>	<u>1994 Total</u>	<u>1993 Total Memorandum</u>
CASH FLOWS FROM OPERATING ACTIVITIES								
Income (Loss) before Operating Transfers	\$3,659,359	\$ 4,220	\$(2,758,173)	\$ 61,048	\$ 6,614	\$ 3,253	\$ 976,321	\$ 311,607
Adjustments to Reconcile Income (Loss) before Operating Transfers to Net Cash Provided By Operating Activities:								
Amortization of Bond Issue Costs	-	-	9,028	-	-	-	9,028	9,355
Amortization of Bond Premium	-	-	17,399	-	-	-	17,399	18,029
Interfund Transfers	(2,711,609)	(4,220)	3,213,275	(70,785)	(424,431)	(2,230)	-	-
Changes in Assets and Liabilities:								
Investments	(819,438)	-	661	9,737	417,817	(1,023)	(392,246)	1,112,061
Accounts Payable	(128,312)	-	-	-	-	-	(128,312)	178,602
Accrued Bond Interest	-	-	(5,190)	-	-	-	(5,190)	(4,738)
NET CASH PROVIDED BY OPERATING ACTIVITIES	-	-	477,000	-	-	-	477,000	1,624,916
CASH FLOWS FROM INVESTING ACTIVITIES								
Capital Expenditures - Town House	-	-	-	-	-	-	-	(1,178,916)
NET CASH USED IN INVESTING ACTIVITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(1,178,916)</u>

The accompanying notes are an integral part of this statement.

SOUTHEASTERN MASSACHUSETTS UNIVERSITY BUILDING AUTHORITY
STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 1994

	<u>Revenue Fund</u>	<u>Preliminary Expense Fund</u>	<u>Plant/Debt Service Fund</u>	<u>Section 10 Reserve Fund</u>	<u>Capital Improvement Fund</u>	<u>Rate Stabilization Fund</u>	<u>1994 Total</u>	<u>1993 Total Memorandum</u>
CASH FLOWS FROM FINANCING ACTIVITIES								
Principal Payments on Bonds-1986 Series A	\$ -	\$ -	\$ (455,000)	\$ -	\$ -	\$ -	\$ (455,000)	\$ (425,000)
Principal Payments on Bonds-1986 Series B	<u>-</u>	<u>-</u>	<u>(22,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,000)</u>	<u>(21,000)</u>
NET CASH USED IN FINANCING ACTIVITIES:	<u>-</u>	<u>-</u>	<u>(477,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(477,000)</u>	<u>(466,000)</u>
NET INCREASE IN CASH	-	-	-	-	-	-	-	-
CASH, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During the Year For:

Interest \$2,720,413

The accompanying notes are an integral part of this statement.

SOUTHEASTERN MASSACHUSETTS UNIVERSITY BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 1994

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

Southeastern Massachusetts University Building Authority (The Authority), a body politic and corporate created by the powers existing under Chapter 703 of the Acts of 1964 of the Commonwealth of Massachusetts, as amended, has built the "First Project" which consists of residence halls, a dining center, and formerly, a campus center. The facilities were constructed from funds raised by the sale of notes and bonds. The campus center was duly conveyed to the Commonwealth of Massachusetts pursuant to Chapter 79 of the Acts of 1976 of the Commonwealth for the sum of \$4,600,000 on June 15, 1976. These funds retired Note Series First-M of the Authority, dated April 16, 1976, and due June 16, 1976.

A public political entity created by the Commonwealth of Massachusetts, the Authority is exempt under federal and state income tax regulations.

The "First Project"

The facilities were operated under a Management and Services Agreement dated May 7, 1976, between the Authority and the Trustees of Southeastern Massachusetts University (currently University of Massachusetts Dartmouth). The Services Agreement provided that the University Trustees shall collect, receive or hold revenues from the Project as trustee for the Authority. The University Trustees were required to remit such revenues to the Bond Trustee, the State Street Bank and Trust Company, in amounts as described in the Agreement until the amounts so remitted in each fiscal year equalled amounts certified by the Building Authority for each fiscal year as follows:

- a. Required payments of interest and principal or other amounts payable with respect to the bonds,
- b. Payments required for the Project Debt Service Reserve Fund, and
- c. The Authority's current expenses allocable to the First Project.

Furthermore, the Agreement provided that the balance, if any, of revenues remaining after payment of certain maintenance, repair and operating expenses (including purchase of necessary food, supplies and equipment) of the Project shall be available for remittance to the Bond Trustee.

SOUTHEASTERN MASSACHUSETTS UNIVERSITY BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 1994

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The "First Project" (Continued)

The Trust Agreement, dated May 10, 1976, pledged to the Bond Trustee for the benefit of the holders of the Bonds, fees, rents, rates and other charges and revenues of the Project. Responsibility for maintenance, repair and operation of the Project was assumed by the University Trustees after making the agreed remittances to the Bond Trustee.

Pursuant to the Enabling Act creating the Authority, the Commonwealth, acting by and through the Board of Trustees of the University, and the Authority have entered into a contract for Financial Assistance dated May 7, 1976. The Assistance Contract provided for the guarantee by the Commonwealth, as authorized by the Enabling Act, of the payment of the principal and interest on the Bonds as the same become due and payable. The Enabling Act limited to \$40,000,000 the total amount of notes and bonds of the Authority which were so guaranteed.

The security for the Bonds includes, but is not limited to, a guaranty of The Commonwealth of Massachusetts provided through the Contract for Financial Assistance, Management and Services dated as of May 1, 1986 between the Authority and the Board of Trustees of the University acting on behalf of the Commonwealth.

The Contract provides for an unconditional guaranty by the Commonwealth of the punctual payment of the scheduled principal and interest on the Bonds and pledges the full faith and credit of the Commonwealth for the performance of such guaranty.

The Bonds are special obligations of the Authority secured by a pledge of, and to be paid from, certain revenues derived from fees, rents, rates and other charges received by the Authority from the operation of the Projects being financed and refinanced by the Bonds. Such charges are fixed annually by the Authority. Pursuant to the Trust Agreement, the Authority has covenanted, among other things, to fix, revise and adjust fees, rents, rates and other charges from the operation of the Projects being financed and refinanced by the Bonds and any other projects or property which may be financed under the Trust Agreement to assure the timely payment of debt service on the Bonds and any other bonds which may be issued under the Trust Agreement, to provide for monies to be deposited into a required debt service reserve fund for the Bonds

SOUTHEASTERN MASSACHUSETTS UNIVERSITY BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 1994

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The "First Project" (Continued)

and additional bonds (the "Section 10 Reserve Fund") and to meet all other requirements with respect to the Bonds and additional bonds as described more fully hereinafter. The fixing and revision of such charges are subject, however, to the approval of the University Trustees.

Basis of Accounting

The financial statements of the Authority have been prepared in accordance with generally accepted accounting principles, as applicable to government units.

Fund Accounting - To insure observance of limitations and restrictions placed on the use of resources available to the Authority, the accounts of the Authority are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

The assets, liabilities and fund balances of the Authority are reported in six self-balancing fund groups as follows:

1. Revenue Fund - represents revenues collected from the First Project, HUD Subsidy Grant, and all fees and expenses other than those payable out of the proceeds of the bonds.
2. Preliminary Expense Fund - represents funds to be used for preliminary expenses before starting a project.
3. Plant/Debt Service Fund - represents funds which are used to pay the principal and interest on the bonds of the Authority.

SOUTHEASTERN MASSACHUSETTS UNIVERSITY BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 1994

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Section 10 Reserve Fund - represents a reserve for the payment of principal and interest on bonds.
5. Capital Improvement - represents a reserve for capital improvements on the projects.
6. Rate Stabilization Fund - represents a reserve in order to minimize the variations over time in the fees, rents, rates and other fixed charges.

Total Columns on Combined Financial Statements - The total columns presented in the combined financial statements are captioned Memoranda to indicate that they are presented only to facilitate financial analysis. No consolidating entries or other eliminations were made in the aggregation of the totals; thus, they do not present consolidated information and do not purport to present financial position, results of operations or changes in cash flows in conformity with generally accepted accounting principles.

Investments

The Authority is authorized by the Commonwealth to invest only in obligations of the United States Government and its agencies or secured by such obligations.

Buildings

The Authority follows the policy of capitalizing interest as a component of the cost of buildings constructed for its own use. Buildings are stated at cost, including capitalized interest cost incurred during the period of asset construction. No interest was capitalized in 1994. No depreciation has been provided on the assets.

NOTE B - INVESTMENTS

Investments consist of Federated Trust U.S. Government Securities Money Market Fund at a cost (and market value) of \$3,616,224 in 1994. These investments are held by a trustee in the Authority's name.

SOUTHEASTERN MASSACHUSETTS UNIVERSITY BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 1994

NOTE C - PROJECT REVENUE BONDS 1986 SERIES A

The issue consisted of serial and term bonds totalling \$37,390,000. The serial bonds were issued in the amount of \$14,050,000 with a variable interest rate ranging from 4.5% to 7.7%. Principal is payable each May 1 commencing May 1, 1987. Interest is payable each May 1 and November 1, commencing November 1, 1986. Series A Bonds totalling \$2,390,000 have been retired through June 30, 1994. Term Bonds in the amount of \$9,505,000 and \$13,835,000 with interest at 7.8% are stated to mature May 1, 2011 and May 1, 2016, respectively. The Series A Bonds are guaranteed in full by the Commonwealth of Massachusetts.

Principal payments are due as follows:

1995	\$ 485,000
1996	515,000
1997	545,000
1998	590,000
1999	915,000
Thereafter	<u>31,950,000</u>
Total	<u>\$35,000,000</u>

The 1986 Series A Bonds were issued at a discount. At June 30, 1994 the unamortized discount was \$228,680. Amortized discount charged to interest expense was \$17,399 in the year ended June 30, 1994.

Bonds maturing on or after May 1, 1987, are redeemable prior to maturity, at the option of the Authority, in whole at any time, or in part on any interest payment date, on or after May 1, 1996, ratably by maturity by the Trustee or the Authority prior to the issuance of a redemption notice, in inverse order of maturity, and, if less than all the outstanding Bonds of any maturity are to be redeemed, by lot within such maturity, at the set redemption prices plus accrued interest thereon to the date set for redemption.

<u>Period During Which Redeemed</u> <u>(Both Dates Inclusive)</u>	<u>Redemption Price</u>
May 1, 1996 through April 30, 1997	102%
May 1, 1997 through April 30, 1998	101%
May 1998 and Thereafter	100%

SOUTHEASTERN MASSACHUSETTS UNIVERSITY BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 1994

NOTE C - PROJECT REVENUE BONDS 1986 SERIES A - (CONTINUED)

For the retirement of the Bonds due on May 1, 2011,
sinking fund installments shall be payable on May 1, 2007
and on each May 1 thereafter as follows:

<u>May 1</u>	<u>Sinking Fund Installment</u>	<u>May 1</u>	<u>Sinking Fund Installment</u>
2007	\$ 1,630,000	2010	\$ 2,035,000
2008	1,755,000	2011	2,195,000
2009	1,890,000		

For the retirement of the Bonds due on May 1, 2016,
sinking fund installments shall be payable on May 1, 2012
and on each May 1 thereafter as follows:

<u>May 1</u>	<u>Sinking Fund Installment</u>	<u>May 1</u>	<u>Sinking Fund Installment</u>
2012	\$ 2,365,000	2015	\$ 2,970,000
2013	2,550,000	2016	3,200,000
2014	2,750,000		

NOTE D - PROJECT REVENUE BONDS 1986 SERIES B

The Authority entered into a contract with the U.S.
Department of Housing and Urban Development for the sale
of \$644,000 of Project Revenue Bonds, 1986 Series B at an
interest rate of 3%. These bonds are serial bonds with
principal and interest payable each May 1 and November 1
commencing November 1, 1986. Series B Bonds totalling
\$153,000 have been retired through June 30, 1994. The
Series B Bonds are guaranteed in full by the Commonwealth
of Massachusetts.

Principal payments are due as follows:

1995	\$ 23,000
1996	23,000
1997	24,000
1998	25,000
1999	26,000
Thereafter	<u>370,000</u>
Total	<u>\$491,000</u>

SOUTHEASTERN MASSACHUSETTS UNIVERSITY BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 1994

NOTE E - HUD SUBSIDY GRANT

The Authority has an agreement with the U.S. Department of Housing and Urban Development to receive an annual debt service subsidy grant with respect to certain dormitory accommodations included in the Project. The amount of such annual grant is not to exceed the lesser of

- 1) \$75,684, or
- 2) the difference between
 - a. the average annual debt service on the principal amount of bonds attributable to the cost of such dormitory accommodations, and
 - b. the average annual debt service that would have been required over the life of such bonds at an interest rate of 3%.

The grant is scheduled to terminate in 2011.

NOTE F - RELATED PARTY TRANSACTIONS

Charges for Services

Pursuant to a contract for financial assistance, management and services, the Authority certifies to the University Trustees in writing, the aggregate amount they require for all fees and expenses related to the outstanding bonds, insurance premiums, and all other office and general administrative expenses of the Authority. These trustee receipts are collected semiannually.

Lease of Land from the Commonwealth of Massachusetts

The Authority leases land for its dormitory facilities from the Commonwealth of Massachusetts. The lease is classified as an operating lease and provides for annual rent of \$4 through June 30, 2016.

Donated Services

During the year, the Authority received personnel assistance from the University of Massachusetts Dartmouth Auxiliary Services. The value of these services cannot be determined, and accordingly, has not been reflected in these financial statements.

SOUTHEASTERN MASSACHUSETTS UNIVERSITY BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 1994

NOTE G - EXTINGUISHMENT OF DEBT THROUGH INSUBSTANCE DEFEASANCE

During the year ended June 30, 1987, the Authority placed debt securities in an irrevocable trust. Income received by the Trust will be used solely for the purpose of making required interest and principal payments on the 1976 Series A Bonds payable. As of June 30, 1994, the remaining principal owed on this obligation was \$14,760,000. The 1976 Series A Bonds payable are considered to be extinguished and do not appear as a liability in the accompanying balance sheet.

NOTE H - PRIOR PERIOD ADJUSTMENT

The campus center building was conveyed to the Commonwealth of Massachusetts in 1976 for the amount of the outstanding debt of \$4,600,000 (Note A). Building costs of \$216,405 in excess of the debt were not previously charged to retained earnings.

